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澳至尊
AUSupreme

Ausupreme International Holdings Limited
澳至尊國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2031)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2020

The board (the "**Board**") of directors (the "**Directors**") of Ausupreme International Holdings Limited (the "**Company**") presents the consolidated results of the Company and its subsidiaries (together as the "**Group**") for the year ended 31 March 2020 (the "**Year**"), together with the comparative figures for the year ended 31 March 2019 (the "**Year 2019**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 March	
		2020	2019
	Note	***HK$'000***	*HK$'000*
Revenue	*4(a)*	**210,543**	289,329
Cost of sales		**(30,387)**	(41,199)
Gross profit		**180,156**	248,130
Other income	*5(a)*	**2,909**	766
Other net (losses)/gains	*5(b)*	**(206)**	250
Selling and distribution expenses		**(139,173)**	(180,596)
General and administrative expenses		**(28,467)**	(31,402)
Operating profit		**15,219**	37,148
Finance costs	*6(b)*	**(787)**	—

	Note	Year ended 31 March **2020** ***HK$'000***	2019 *HK$'000*
Profit before taxation	*6*	**14,432**	37,148
Income tax expense	*7*	**(2,385)**	(5,938)
Profit for the year attributable to owners of the Company		**12,047**	31,210
Other comprehensive expense:			
Item that may be reclassified subsequently to profit or loss:			
— Exchange differences on translation of operations based outside Hong Kong		**(45)**	(72)
Other comprehensive expense for the year, net of tax		**(45)**	(72)
Total comprehensive income for the year attributable to owners of the Company		**12,002**	31,138
Earnings per share attributable to owners of the Company — basic and diluted	*8*	**HK1.60 cents**	HK4.16 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 March **2020** *HK$'000*	2019 *HK$'000*
Non-current assets			
Property, plant and equipment		**29,243**	31,135
Rental deposits		**4,119**	4,753
Right-of-use assets		**21,136**	—
Equity investment at fair value through other comprehensive income		**7,194**	—
Deferred tax assets		**714**	707
		62,406	36,595
Current assets			
Inventories	*10*	**17,000**	19,835
Trade and other receivables	*11*	**16,028**	32,025
Income tax recoverable		**5,156**	—
Time deposits	*12*	**59,161**	—
Bank balances and cash	*12*	**54,935**	119,775
		152,280	171,635
Current liabilities			
Trade and other payables	*13*	**8,883**	15,638
Dividend payable		**7**	3
Lease liabilities		**12,972**	—
Provisions		**334**	246
Income tax payable		**1,669**	3,808
		23,865	19,695
Net current assets		**128,415**	151,940
Total assets less current liabilities		**190,821**	188,535
Non-current liabilities			
Lease liabilities		**8,778**	—
Provisions		**377**	381
		9,155	381
NET ASSETS		**181,666**	188,154
CAPITAL AND RESERVES			
Share capital		**7,620**	7,500
Reserves		**174,046**	180,654
Total equity attributable to owners of the Company		**181,666**	188,154

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 17 April 2015 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of its principal place of business is Office E, 28/F., EGL Tower, 83 Hung To Road, Kwun Tong, Kowloon, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 12 September 2016 (the "**Listing Date**" and the "**Listing**", respectively). The Company's immediate and ultimate holding company is Beatitudes International Ltd. which was incorporated in the British Virgin Islands and controlled by Mr. Choy Chi Fai and Ms. Ho Ka Man.

The Company is an investment holding company. During the year, the principal activities of its subsidiaries are retail and wholesale of health and personal care products.

The consolidated financial statements of the Group for the Year (the "**Consolidated Financial Statements**") are presented in Hong Kong dollars ("**HK$**") which is same as the functional currency of the Company and all values are rounded to the nearest thousand except when otherwise indicated.

2. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

These Consolidated Financial Statements have been prepared in accordance with Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (the "**HKASs**") and Interpretations (hereinafter collectively referred to as the "**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") as well as the applicable disclosure required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and the Hong Kong Companies Ordinance. These Consolidated Financial Statements have been prepared under the historical cost convention.

3. ADOPTION OF NEW AND AMENDMENTS TO HKFRSs

(a) New and amended standards adopted by the Group

In the current year, the Group has adopted for the first time the new and amendments to HKFRSs issued by the HKICPA that had been issued and effective for the Group's financial year beginning on 1 April 2019. Of these, the following developments are relevant to the Group's financial statements:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle
Amendments to HKFRS 16	COVID-19-Related Rent Concessions

The impact of the adoption of HKFRS 16 Leases ("**HKFRS 16**") has been summarized in below, the adoption of other new and amended HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these Consolidated Financial Statements.

Key changes in accounting policies resulting from adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("**HKAS 17**"), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognized in the statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17.

New definition of leases

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset; and (b) the right to direct the use of the identified asset.

Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognize the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognized in the consolidated statement of financial position of the lessee.

Under HKFRS 16, for all leases (irrespective of they are operating leases or finance leases and except for short-term leases and leases of low-value assets), the Group is required to: (a) recognize right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of future lease payments; (b) recognize depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss and other comprehensive income; and (c) separately present the total amount of cash paid into a principal portion and interest within financing activities and investing activities in the consolidated statement of cash flows. Under HKFRS 16, right-of-use assets are tested for impairment in accordance with HKAS 36 Impairment of Assets. This replaces the previous requirement to recognize a provision for onerous lease contracts.

Payments associated with short-term leases is recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Transitions

The Group has applied HKFRS 16 using the modified retrospective approach with a date of initial application of 1 April 2019, under which the cumulative effect of initial application is recognized as at 1 April 2019. As a result, the comparative information presented in 2019 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognized the lease liabilities at the date of 1 April 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at 1 April 2019.

The Group has elected to recognize all the right-of-use assets as at 1 April 2019 for leases previously classified as operating leases under HKAS 17 as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application. For all these right-of-use assets, the Group has applied HKAS 36 Impairment of Assets as at 1 April 2019 to assess if there was any impairment as on that date.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group has applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on a lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review;

ii. accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short term lease;

iii. the use of hindsight based on facts and circumstances as at the date of initial application in determining the lease term for the Group's leases with extension and termination options; and

iv. excluded initial direct costs for measurement of the right-of-use assets at the date of initial application.

In addition, the Group has elected not to assess whether rent concessions that occurred as a direct consequence of the outbreak of the novel coronavirus disease 2019 (the "**COVID-19**") met the conditions of lease modification.

Impact to the Consolidated Financial Statements

As mentioned above, the Group has applied HKFRS 16 using the modified retrospective approach from 1 April 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the simplified transition approach in the standard. The reclassifications and the adjustments arising from HKFRS 16 are therefore recognized in the opening balances on 1 April 2019.

The following table summarized the impact of transition to HKFRS 16 on consolidated statement of financial position as of 31 March 2019 to that of 1 April 2019 as follows (increase/(decrease)):

	Increase/ (decrease) *HK\$'000*
Assets	
Decrease in property, plant and equipment	(87)
Increase in right-of-use assets	18,959
Decrease in trade and other receivables	(223)
Net increase in total assets	18,649
Liabilities	
Increase in lease liabilities	19,370
Increase in provisions	69
Net increase in total liabilities	19,439

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 31 March 2019 could be reconciled to the lease liabilities at the date of initial application recognized in the consolidated statement of financial position as at 1 April 2019:

	At 1 April 2019
	HK$'000
Operating lease commitments at 31 March 2019	28,661
Contracts signed before 31 March 2019 but commenced after 1 April 2019	(8,614)
Lease liabilities discounted at relevant incremental borrowing rates	(677)
Lease liabilities relating to operating leases recognized upon application of HKFRS 16 at 1 April 2019	19,370
Analysed as	
Current	9,926
Non-current	9,444
	19,370

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized in the statement of financial position as at 1 April 2019 is 3.5% per annum.

(b) New and amended standards issued but not yet effective

The Group has not early adopted the following new and amended HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2020

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

The directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements of the Group in the foreseeable future.

4. REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are retail and wholesale of health and personal care products during the year.

Revenue represents the sales value of goods supplied to customers. The amounts of each significant category of revenue during the year, all of which represented revenue recognized by the Group from contracts with customers, are as follows:

	Year ended 31 March	
	2020	2019
	HK$'000	*HK$'000*
Specialty stores	**31,836**	37,911
Consignment counters	**162,279**	236,293
E-commerce	**9,481**	7,409
Other sales channels	**6,947**	7,716
	210,543	289,329

	Year ended 31 March	
	2020	2019
	HK$'000	*HK$'000*
Health supplement products	**194,770**	264,346
Honey and pollen products	**2,962**	4,341
Personal care products	**12,811**	20,642
	210,543	289,329

For the years ended 31 March 2020 and 2019, all revenue is recognized on a point in time basis.

The performance obligation is satisfied, and hence the revenue is recognized upon the delivery of the health and personal care products to the customers or, in case of consignment sales through consignees, upon collection of the products by end-customers, which is the point of time when customer has the ability to direct the use of products and obtain substantially all of the remaining benefits of the products. The payment terms are generally within 0 to 60 days.

(b) Segment reporting

HKFRS 8 Operating Segments requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the Group's chief operating decision maker (i.e. the Board) for the purpose of resources allocation and performance assessment. The chief operating decision maker reviews the financial performance and position of the Group as a whole and on this basis, the Group has determined that it has only one operating segment which is the retail and wholesale of health and personal care products.

(i) Information about geographical area

The following tables set out information about the geographical location of the Group's revenue from external customers and the Group's property, plant and equipment and right-of-use assets ("**specified non-current assets**"). The geographical location of customers is based on the location at which the goods are delivered. The geographical location of the specified non-current assets is based on the physical location of the asset.

The geographical information of the Group's revenue from external customers for the years ended 31 March 2020 and 2019 and specified non-current assets as at 31 March 2020 and 2019 is set out below:

	Revenue from external customers Year ended 31 March	
	2020	2019
	HK$'000	*HK$'000*
Hong Kong (place of domicile)	**168,058**	247,302
Mainland China	**9,002**	6,937
Macau	**31,435**	34,582
Singapore	**2,048**	508
	210,543	289,329

	Specified non-current assets As at 31 March	
	2020	2019
	HK$'000	*HK$'000*
Hong Kong (place of domicile)	**49,784**	31,065
Mainland China	**14**	70
Macau	**396**	—
Singapore	**185**	—
	50,379	31,135

(ii) Information about major customers and consignees

No revenue from a single customer contributed more than 10% of the Group's revenue for the year. In addition, revenue earned through the Group's consignees of the corresponding years contributing over 10% of the Group's revenue is as follows:

	Year ended 31 March	
	2020	2019
	HK$'000	*HK$'000*
Consignee A	**96,491**	143,641
Consignee B	**27,645**	50,788

5. OTHER INCOME AND OTHER NET (LOSSES)/GAINS

(a) Other income

	Year ended 31 March	
	2020	2019
	HK$'000	*HK$'000*
Bank interest income on bank deposits	**1,313**	745
Rent concession income *(Note)*	**1,383**	—
Others	**213**	21
	2,909	766

Note: The rent concession income is mainly related to the outbreak of the COVID-19. Certain landlords have offered different extents of rent concession.

(b) Other net (losses)/gains

	Year ended 31 March	
	2020	2019
	HK$'000	*HK$'000*
Loss on write-off of property, plant and equipment	**(55)**	—
Reversal of allowance for trade receivables	**812**	—
Gain on lease modification	**2**	—
Net foreign exchange (losses)/gains	**(965)**	250
	(206)	250

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Staff costs (including directors' remuneration)

	Year ended 31 March	
	2020	2019
	HK$'000	*HK$'000*
Contributions to defined contribution retirement plans	**2,043**	2,107
Directors' remuneration	**5,539**	5,523
Salaries, wages and other benefits	**46,287**	50,371
	53,869	58,001

(b) Finance costs

	Year ended 31 March	
	2020	2019
	HK$'000	*HK$'000*
Interest on lease liabilities	**787**	—

(c) Other items

	Year ended 31 March	
	2020	2019
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**2,235**	2,605
Depreciation of right-of-use assets	**14,146**	—
Minimum lease payments in respect of properties	**48**	16,019
Net foreign exchange losses/(gains)	**965**	(250)
Loss on write-off of property, plant and equipment	**55**	—
Gain on lease modification	**(2)**	—
Auditors' remuneration		
— Audit services	**779**	780
— Non-audit services	**42**	—
Cost of inventories *(note 10)*	**30,387**	41,199
Provision for obsolete inventories *(note 10)*	**594**	—
Consignment expenses	**73,076**	108,352
Allowance for trade receivables	**—**	812
Donations	**439**	585

7. INCOME TAX EXPENSE

(a) Income tax expense in the consolidated statement of profit or loss and other comprehensive income represents:

	Year ended 31 March	
	2020	2019
	HK$'000	*HK$'000*
Current tax — Hong Kong Profits Tax		
Provision for the year	**1,750**	5,260
Over-provision in respect of prior years	**(39)**	(50)
	1,711	5,210
Current tax — Overseas		
Provision for the year	**681**	795
Deferred tax		
Origination and reversal of temporary differences	**(7)**	(67)
Total	**2,385**	5,938

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2,000,000 of assessable profits of the qualifying group entity will be taxed at 8.25%, and assessable profits above HK$2,000,000 will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the provision for Hong Kong Profits Tax for the years ended 31 March 2020 and 2019 are calculated at 16.5% of the estimated assessable profits, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered profits tax rates regime. Taxation of overseas subsidiaries is charged at the appropriate current rate of taxation ruling in relevant tax jurisdictions.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Year ended 31 March	
	2020	2019
	HK$'000	*HK$'000*
Profit before taxation	**14,432**	37,148
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**2,115**	5,807
Tax effect of non-deductible expenses	**664**	383
Tax effect of non-taxable income	**(216)**	(122)
Tax effect of tax losses not recognized	**133**	33
Utilization of tax losses not recognized	**(23)**	(35)
Income tax at concession rate	**(165)**	(165)
Tax effect of tax exemption under Macau Complementary Income Tax	**(70)**	(70)
Over-provision in prior years	**(39)**	(50)
Others	**(14)**	157
Actual tax expense	**2,385**	5,938

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2020	2019
Profit attributable to owners of the Company *(HK$'000)*	**12,047**	31,210
Weighted average number of ordinary shares in issue *(Number of shares)*	**751,147,541**	750,000,000
Basic and diluted earnings per share *(HK cents)*	**1.60**	4.16

The Company did not have any potential ordinary shares outstanding during the years ended 31 March 2020 and 2019, hence diluted earnings per share is the same as basic earnings per share.

9. DIVIDEND

	Year ended 31 March	
	2020	2019
	HK$'000	*HK$'000*
2019 Final dividend — HK3 cents per ordinary share	**22,500**	—
2018 Final dividend — HK1 cent per ordinary share	**—**	7,500

A final dividend in respect of the year ended 31 March 2020 of HK1 cent per ordinary share (2019: HK3 cents), amounting to HK$7,620,000 (2019: HK$22,500,000) in aggregate, was proposed pursuant to a resolution passed by the Board on 26 June 2020 and subject to the approval of the shareholders at the annual general meeting of the Company to be held on 18 September 2020. This proposed dividend is not yet reflected as dividend payable in the Consolidated Financial Statements.

10. INVENTORIES

	As at 31 March	
	2020	2019
	HK$'000	*HK$'000*
Goods for resale	**17,594**	19,835
Less: Provision for obsolete inventories	**(594)**	—
	17,000	19,835

Movements on the Group's provision of impairment for inventories are as follows:

	2020	2019
	HK$'000	*HK$'000*
At 1 April	**—**	—
Provision for obsolete inventories *(note 6(c))*	**594**	—
At 31 March	**594**	—

The analysis of the amount of inventories recognized as an expense and included in profit or loss is as follows:

	Year ended 31 March	
	2020	2019
	HK$'000	*HK$'000*
Carrying amount of inventories sold *(note 6(c))*	**30,387**	41,199

11. TRADE AND OTHER RECEIVABLES

	As at 31 March	
	2020	2019
	HK$'000	*HK$'000*
Trade receivables	**7,229**	24,527
Less: Allowance for trade receivable	**—**	(812)
Trade receivables, net of loss allowance	**7,229**	23,715
Other receivables	**881**	897
Deposits and prepayments	**7,918**	7,413
	16,028	32,025

The Group usually allows a credit period ranging from 0 to 60 days to its trade customers. The ageing analysis of trade receivables (which are included in trade and other receivables), based on the invoice date and net of loss allowance as of the end of the reporting period, is as follows:

	As at 31 March	
	2020	2019
	HK$'000	*HK$'000*
Within 30 days	**2,163**	12,090
31–60 days	**1,705**	11,615
61–90 days	**1,767**	3
Over 90 days	**1,594**	7
	7,229	23,715

The management of the Group closely monitors the credit quality of trade receivables and considers the debtors that are neither past due nor impaired to be of a good credit quality. Before accepting any new customer, the Group's management will assess the potential customer's credit quality and determine the credit limits of each customer. Credit limits attributable to customers are reviewed periodically.

The Group has a policy for allowance of impairment loss which is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement including the creditworthiness and the past collection history of each customer.

Based on the historical experience of the Group, trade receivables that are past due but not impaired are generally recoverable.

12. BANK BALANCES AND CASH/TIME DEPOSITS

	As at 31 March	
	2020	2019
	HK$'000	*HK$'000*
Cash at bank and on hand	**114,096**	119,775
Less: Time deposits	**(59,161)**	—
	54,935	119,775

13. TRADE AND OTHER PAYABLES

	As at 31 March	
	2020	2019
	HK$'000	*HK$'000*
Trade payables *(note a)*	**1,513**	4,800
Contract liabilities *(note b)*	**426**	620
Accrued staff costs	**4,695**	7,482
Other accruals and payables	**2,249**	2,736
	8,883	15,638

Notes:

(a) The ageing analysis of trade payables, based on the invoice date, is as follows:

	As at 31 March	
	2020	2019
	HK$'000	*HK$'000*
Within 30 days	**—**	1,123
31–90 days	**1,513**	3,677
	1,513	4,800

(b) Details of contract liabilities as at 31 March 2020 are as follows:

		As at	
	31 March 2020	31 March 2019	1 April 2018
	HK$'000	*HK$'000*	*HK$'000*
Receipt in advance from customers	**426**	620	103

Contract liabilities are receipt in advance from customers to deliver health and personal care products.

All the amount in the beginning balance was recognized to revenue during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally a Hong Kong-based brand builder, retailer and wholesaler of health and personal care products focusing on the development, marketing, sales and distribution of the branded products. The major brands developed and managed by the Group include "Ausupreme", "Organic Nature", "Superbee" and "Top Life", which are sold under our well-established "澳至尊" sales and distribution network.

Market Overview

The Year is a challenging year with international and domestic instabilities. The Sino-US trade war has lingered for years and its escalated tensions have affected the global macro-economic outlook. Meanwhile, the social unrest in Hong Kong since June 2019 and the outbreak of the COVID-19 in Hong Kong since January 2020 have posed a negative impact on tourism industry and adversely weakened the overall retail conditions.

The overall retail sales in Hong Kong recorded a steep fall of 20.1% during the period from April 2019 to March 2020 according to the statistics from the Census and Statistics Department of Hong Kong.

According to the Hong Kong Tourism Board, the total visitor arrivals in the Year amounted to 41.2 million, which marked a year-on-year decrease of 39.3%. All source markets of visitors recorded a decline in the Year. The Mainland China and short-haul markets recorded a drop of 40.4% and 38.0% respectively, while both long-haul markets and new markets fell 29.9%. Overnight visitors also declined by 42.5% to 17.3 million. The dramatic decrease of tourists together with the abatement of consumer sentiments have posed huge challenges to the retail sector of Hong Kong.

Overall Performance

For the year ended 31 March 2020, the Group's revenue amounted to HK$210,543,000, representing a decrease of 27.2% from HK$289,329,000 for Year 2019. Meanwhile, the consolidated profit attributable to owners of the Company for the Year amounted to HK$12,047,000, which represented a decrease of 61.4% from HK$31,210,000 for Year 2019. The decline in the Group's sales was mainly due to weak consumer sentiments and fluctuating retail market conditions in Hong Kong as a result of the social unrest and the outbreak of the COVID-19. The Company has been closely monitoring the market conditions and the pandemic development and adopting tightened cost control and other cautious approaches to cope with the volatile business environment.

As at 31 March 2020, the Group had 15 specialty stores and 75 consignment counters (31 March 2019: 13 specialty stores and 83 consignment counters) in Hong Kong, Macau and Singapore, among which 15 consignment counters were closed temporarily due to the

COVID-19 epidemic and the closure of Hong Kong's borders by the government. The Group will continue to identify carefully suitable locations for the specialty stores and other sales channels to maximize its exposure to the target customers.

FINANCIAL REVIEW

For the year under review, the Group's revenue and consolidated profit attributable to owners of the Company recorded a noticeable decline. The decrease in the Group's results for the Year was mainly due to the decline in sales as a result of the weak consumer sentiments and retail market conditions in Hong Kong. The Group's revenue decreased by 27.2% to HK$210,543,000 (2019: HK$289,329,000) and the consolidated profit attributable to owners of the Company for the Year decreased by 61.4% to HK$12,047,000 (2019: HK$31,210,000).

The following table sets forth the breakdown of the Group's revenue by categories of products for the years ended 31 March 2020 and 2019:

	For the year ended 31 March			
	2020		2019	
	HK$'000	***% of total revenue***	*HK$'000*	*% of total revenue*
Health supplement products	**194,770**	**92.5%**	264,346	91.4%
Personal care products	**12,811**	**6.1%**	20,642	7.1%
Honey and pollen products	**2,962**	**1.4%**	4,341	1.5%
Total	**210,543**	**100.0%**	289,329	100.0%

During the Year, the Group's revenue attributable to health supplement products decreased by 26.3% to HK$194,770,000 (2019: HK$264,346,000) while its revenue attributable to personal care products decreased by 37.9% to HK$12,811,000 (2019: HK$20,642,000). The revenue attributable to honey and pollen products decreased by 31.8% to HK$2,962,000 for the year ended 31 March 2020 (2019: HK$4,341,000). The unfavourable sales performance was caused by a sharp downturn in Hong Kong market conditions since June 2019 and the outbreak of the COVID-19 in Hong Kong since January 2020. Besides, the shortening of business hours and abrupt closure of business for some stores and counters and the diminishing number of customers to stores also led to weak sales performance.

The table below sets forth the breakdown of the Group's revenue by sales channels for the years ended 31 March 2020 and 2019:

	For the year ended 31 March			
	2020		2019	
	HK$'000	***% of total revenue***	*HK$'000*	*% of total revenue*
Specialty stores	**31,836**	**15.1%**	37,911	13.1%
Consignment counters	**162,279**	**77.1%**	236,293	81.7%
E-commerce	**9,481**	**4.5%**	7,409	2.5%
Other sales channels	**6,947**	**3.3%**	7,716	2.7%
Total	**210,543**	**100.0%**	289,329	100.0%

During the Year, the Group's revenue for sales channels of specialty stores and consignment counters decreased by 16.0% to HK$31,836,000 (2019: HK$37,911,000) and 31.3% to HK$162,279,000 (2019: HK$236,293,000) respectively. The decline in revenue of specialty stores and consignment counters were mainly due to the social unrest of Hong Kong since June 2019 and the outbreak of the COVID-19 in Hong Kong since January 2020, adversely weakening the overall retail condition. For the year ended 31 March 2020, the revenue derived from e-commerce recorded an increase of 28.0% to HK$9,481,000 (2019: HK$7,409,000). The increase was as a result of the Company optimizing its e-commerce platform in Hong Kong as well as the Mainland China to locate with a larger potential customer base. The remaining sales were generated from other sales channels which included wholesale and distribution business in Singapore by a distributor and sales at trade fairs and exhibitions. The revenue derived from other sales channels dropped by 10.0% to HK$6,947,000 for the year ended 31 March 2020 (2019: HK$7,716,000).

The cost of sales decreased by HK$10,812,000 or 26.2% to HK$30,387,000 for the year ended 31 March 2020 (2019: HK$41,199,000). The decrease was mainly attributable to the diminution in revenue for the Year.

The selling and distribution expenses of the Group decreased by 22.9% to HK$139,173,000 for the year ended 31 March 2020 (2019: HK$180,596,000). This decrease was mainly attributable to the decline in consignment commission as a result of the diminution in revenue for the Year.

The general and administrative expenses of the Group decreased by 9.3% to HK$28,467,000 for the year ended 31 March 2020 (2019: HK$31,402,000). The decrease was mainly attributable to (i) the strengthening of cost control by the Company; and (ii) the written back of staff annual leave expense.

No finance costs for bank borrowings were incurred for the years ended 31 March 2020 and 2019 as the Group did not have any bank borrowings for these years. The Group's finance costs of interest expense on lease liabilities amounting to HK$787,000 were incurred as a result of the application of HKFRS 16.

The Group's revenue was mainly derived in Hong Kong and Macau during the Year. For the year ended 31 March 2020, income tax expense decreased by 59.8% to HK$2,385,000 (2019: HK$5,938,000) mainly due to the shrinking in the profit before taxation of the Group. For the years ended 31 March 2020 and 2019, the provision for Hong Kong Profits Tax has been calculated at 16.5% of the estimated assessable profits, except for one subsidiary of the Group which is a qualifying corporation in accordance with two-tiered profits tax rates regime, the first HK$2,000,000 of assessable profits of a qualifying corporation of the Group is taxed at 8.25% and the assessable profits above HK$2,000,000 are taxed at 16.5%. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

As a result of the above factors, profit attributable to owners of the Company for the year ended 31 March 2020 recorded a decrease of HK$19,163,000 or 61.4% to HK$12,047,000 as compared to a profit of HK$31,210,000 for Year 2019.

For the year ended 31 March 2020, the basic earnings per share was HK1.60 cents (2019: HK4.16 cents), the calculation of which is based on the profit for the year attributable to owners of the Company of HK$12,047,000 (2019: HK$31,210,000) and the weighted average number of 751,147,541 ordinary shares in issue during the Year (2019: 750,000,000 ordinary shares). Diluted earnings per share is the same as the basic earnings per share because the Company had no dilutive potential ordinary shares during the years ended 31 March 2020 and 2019.

LIQUIDITY, FINANCIAL RESOURCES, FOREIGN EXCHANGE RISK EXPOSURE AND CAPITAL COMMITMENTS

The Group's financing and treasury activities are centrally managed and controlled at the corporate level. The main objective is to utilize the funding efficiently and to manage the financial risks effectively. The Group generally meets its working capital requirements from its internally generated funds, and maintains a healthy financial position.

As at 31 March 2020, the Group had net current assets and net assets of HK$128,415,000 (2019: HK$151,940,000) and HK$181,666,000 (2019: HK$188,154,000) respectively. As at 31 March 2020, the current ratio calculated based on current assets divided by current liabilities of the Group was approximately 6.4 (2019: 8.7).

Bank Balances and Cash and Time Deposits

Bank balances and cash and time deposits held by the Group amounted to HK$114,096,000 as at 31 March 2020 (2019: HK$119,775,000), of which HK$54,935,000 (2019: HK$119,775,000) was bank balances and cash and HK$59,161,000 (2019: Nil) was non-pledged time deposits with original maturity of over 3 months. They were mainly denominated in Hong Kong dollars, Japanese yen, Australian dollars and Renminbi.

Other Financial Resources and Gearing

As at 31 March 2020 and 2019, the Group did not have any bank borrowing and therefore, a gearing ratio (calculated based on the interest-bearing liabilities, which excluded lease liabilities, divided by the total equity as at the respective end of period and multiplied by 100%) was not applicable as at 31 March 2020 and 2019.

Foreign Exchange Exposure

The Group is exposed to currency risk primarily through sales and purchases, which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily Japanese yen, Australian dollars and Renminbi. The Group currently does not have any foreign currency hedging policy. However, the Group maintains a conservative approach in treasury management by constantly monitoring foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. The management will continue to monitor the foreign exchange exposure and will take prudent measures when needed.

Capital Commitments

As at 31 March 2020, the Group did not have any capital commitment (2019: Nil).

MAJOR INVESTMENTS, ACQUISITIONS AND DISPOSALS

The Group had no material investments, acquisitions or disposals of subsidiaries, associates or joint ventures during the year ended 31 March 2020.

CONTINGENT LIABILITIES

As at 31 March 2020, the Group had no material contingent liabilities (2019: Nil).

EMPLOYEE INFORMATION

As at 31 March 2020, the Group had 201 (2019: 228) employees, including part-time staff. The Group remunerates employees based on their performance and experience, the Group's results as well as prevailing market condition. In addition to salary and commission payment to staff, other staff benefits include a share option scheme, discretionary bonus, staff discount on purchases and internal training.

SHARE OPTION SCHEME

Pursuant to the written resolution of the sole shareholder of the Company on 20 July 2016, the Company adopted a share option scheme (the "**Scheme**") conditional upon the Listing. The Scheme became effective on 12 September 2016. As no share options have been granted under the Scheme since the Listing Date, there were no outstanding share options as at 31 March 2020, and no share options were exercised, cancelled or lapsed during the year ended 31 March 2020.

DIVIDEND

The Board has resolved to recommend a final dividend of HK1 cent per ordinary share of the Company (the "**Share**") for the year ended 31 March 2020, totalling HK$7,620,000 (2019: HK3 cents, totalling HK$22,500,000). Such payment of dividend will be subject to the approval of the shareholders of the Company (the "**Shareholders**") at the forthcoming annual general meeting of the Company (the "**AGM**") and has not been recognized as a liability in the Consolidated Financial Statements. If the resolution for the proposed final dividend is passed at the AGM, the final dividend will be payable on or around 16 October 2020.

FUTURE OUTLOOK AND PROSPECTS

The year ahead is still with challenges. With the fear of further waves of the COVID-19 pandemic, the schedule of re-opening the borders of Hong Kong is still unclear. Economies of Hong Kong and the world are still waiting for a recovery mode. Tourism and retail industry of Hong Kong are experiencing winter times.

To combat the economic headwind, the Group has remained focus on its principal business objectives of developing the business and at the same time reducing cost and improving operational efficiency. At the operational level, stores operating hours have been optimized and some working shifts of sales staff have been rearranged. Besides, the Group has proactively liaised with the landlords for rent concession over this unprecedented period so as to lower operational expenses. Moreover, the Group continues to optimize its physical retail stores and consignment locations by constantly reviewing their performance, eliminating underperforming locations and reallocating stores to potential areas in reaction to the changing customers' dynamic.

The rapid development of the epidemic and the social distancing measures have deeply transformed the buying behaviours from bricks and mortar stores to online purchasing. Strategic resources have been focused on the already-expediting e-commerce sector in Hong Kong, the Mainland China and other regions such as Lazada.sg in Singapore. Some experienced nutritionists and sales staff have been trained to be professional Key Opinion Leaders (KOLs) webcast on live-streaming platforms sharing our high-quality products and nutrients' tips to foster online sales and nurture long-term relationship with customers through real-time interactions through the screen. Marketing our products in increasing numbers of reputable online platforms with diversified marketing campaigns and promotions are in place to strengthen our market penetration in the digital sector.

Invitation of Ms. Sammi Cheng, an Asian superstar with positive image, as the spokesperson of the Group has been a great asset in building our brand image of supreme quality. This year, our cooperation with Ms. Sammi Cheng has extended geographically from Hong Kong and Macau to the Mainland China and Singapore. Brand recognition and customer base penetration in these regions will be highly elevated.

Looking forward, in the midst of fast-changing retail environment, the Group continues to closely monitor the market conditions and adopt feasible strategies to achieve long-term sustainable growth.

CORPORATE GOVERNANCE AND OTHER INFORMATION

EVENTS AFTER THE REPORTING PERIOD

(1) A final dividend in respect of the year ended 31 March 2020 of HK1 cent per Share, totalling HK$7,620,000 (2019: HK3 cents, totalling HK$22,500,000) was proposed pursuant to a resolution passed by the Board on 26 June 2020 and will be subject to the approval of the Shareholders at the AGM to be held on 18 September 2020. The proposed final dividend has not been recognized as a liability in the Consolidated Financial Statements.

(2) The economy of Hong Kong and the sentiment of the retail business in Hong Kong have been negatively affected by the PRC-US conflicts since the second quarter of 2018, the recent political and social unrest in Hong Kong in 2019 and the outbreak of the COVID-19 globally in 2020. Many countries have required entities to limit or suspend business operations and implemented travel restrictions and quarantine measures. These measures and policies have significantly disrupted the activities of the Group.

    As the COVID-19 outbreak continues to progress and evolve globally, it is challenging at this juncture to predict the full extent and duration of the business of the Group and financial impact as the pandemic may persist for quite some time before it subsides, even though part of the impact has been reflected into the first quarter of 2020. Up to the date on which this set of financial statements were authorized for issue, the impacts of the COVID-19 outbreak on the financial position of customers in Hong Kong and the Mainland China and macro-economic conditions as a whole are still uncertain and the Group is unable to quantify the related financial effects.

    The Group will pay close attention to the development of the COVID-19 outbreak and perform further assessment of its impact and take relevant measures.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Throughout the Year, the Company did not redeem its listed securities, nor did the Company or any of its subsidiaries purchase or sell such securities.

CORPORATE GOVERNANCE CODE

The Company has complied with all the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "**CG Code**") throughout the Year save for the deviation from code provision A.2.1 as follows:

Under code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual.

In view of the present composition of the Board, the in-depth knowledge of the chairman of the Board (the "**Chairman**") (who is also the managing Director) of the operations of the Group and the health and personal care industry in general, his extensive business network and connections, and the scope of operations of the Group, the Board believes that it is in the best interest of the Group for Mr. Choy Chi Fai to assume the roles of both the Chairman and the managing Director.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its own code of conduct regarding Directors' securities transactions. Having been made specific enquiries by the Company, all Directors confirmed that they had complied with the required standard set out in the Model Code throughout the Year.

REVIEW OF RESULTS

The Group's results for the year ended 31 March 2020 have been reviewed by the audit committee of the Board.

SCOPE OF WORK OF INDEPENDENT AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2020 included in this preliminary results announcement have been agreed by the Group's independent auditor, Wellink CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by Wellink CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and consequently, no assurance has been expressed by Wellink CPA Limited on this preliminary results announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the respective websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.ausupreme.com). The Company's annual report for the year ended 31 March 2020 will be despatched to the Shareholders and will be available on the aforesaid websites in due course in the manner as required by the Listing Rules.

APPRECIATION

On behalf of the Board, I would like to express my gratitude with the upmost sincerity to all the Shareholders, business partners and customers for their continuing support, and extend my heartfelt appreciation to all the management and staff for their ongoing contributions.

By order of the Board
Ausupreme International Holdings Limited
Choy Chi Fai
Chairman, Executive Director and Managing Director

Hong Kong, 26 June 2020

As at the date of this announcement, the Board comprises four Executive Directors, namely Mr. Choy Chi Fai (Chairman and Managing Director), Ms. Ho Ka Man, Mr. Ho Chun Kit, Saxony and Mr. Au Chun Kit; and three Independent Non-executive Directors, namely Dr. Luk Ting Kwong, Mr. Ko Ming Kin and Dr. Wan Cho Yee.

In case of any inconsistency between the English and Chinese versions, the English text of this announcement shall prevail over the Chinese text.